

Qualified Zone Academy Bonds (Under ARRA 2009)

QZAB Bond Financing for School Facilities

The ARRA and the Tax Extenders and Alternative Minimum Tax Relief Act of 2008 amended and extended authorization for **Qualified Zone Academy Bonds** (QZABs) for 2008, 2009, 2010, and 2011. QZABs are interest free "qualified tax credit bonds" under IRC § 54A(d)(1). The bonds must meet §54A(d) requirements concerning bond proceeds, reporting, arbitrage, maturity limits, and prohibitions against financial conflicts of interest.

South Carolina's Authorization Levels

Year	QZAB
2008	\$6,425,000
2009	\$22,487,000
2010	\$23,224,000
2011	\$6,730,000

What are Qualified Zone Academies?

Any public school (or program within a school) can be a "qualified zone academy" if:

- It is located in an empowerment zone or an enterprise community.
- It has at least 35% of its students eligible for free or reduced price lunch.
- It is designed in cooperation with business to enhance the academic curriculum, increase graduation and employment rates, and prepare students for college and the workforce (the district must have written commitments from private entities to make qualified contributions of not less than 10% of the proceeds of the bond issue).
- The students are subject to the same academic standards and assessments as the other students educated in the local education agency (LEA); and
- It has a comprehensive education plan approved by the LEA.

What are the authorized QZAB uses?

In partnership with private entities, districts may use QZABs for:

- Rehabilitation or repair of a public school facility.
- Providing equipment.
- Developing course materials.
- Training teachers and other personnel.

QZABs **cannot** be used for new construction. (For new construction, see QSCBs.)

For a more complete understanding of the QZAB requirements, please review the IRS guidance below and contact your district's legal and financial advisors.